THE AMERICAN ECONOMIC REVIEW

VOLUME XCII

BOARD OF EDITORS

JAMES ANDREONI JOSHUA D. ANGRIST SUSAN ATHEY A. CRAIG BURNSIDE ANNE C. CASE ALLAN DRAZEN CHARLES ENGEL DENNIS N. EPPLE ROBERT C. FEENSTRA DANIEL FRIEDMAN JEFFREY C. FUHRER MICHELLE R. GARFINKEL MARTIN S. GAYNOR DAVID GENESOVE GORDON H. HANSON BENJAMIN E. HERMALIN CHARLES A. HOLT HILARY HOYNES PETER N. IRELAND PETER J. KLENOW

RACHEL E. KRANTON KAREN K. LEWIS TRACY R. LEWIS ROBERT A. MARGO R. PRESTON MCAFEE ENRIQUE G. MENDOZA GILBERT E. METCALE STEPHEN MORRIS THOMAS J. NECHYBA RAGHURAM G. RAJAN MICHAEL R RANSOM JAMES B. REBITZER CARMEN M. REINHART PETER C. REISS MICHAEL H. RIORDAN ILYA SEGAL MATTHEW D. SHAPIRO ROBERT W. STAIGER M. SCOTT TAYLOR DANIEL R. VINCENT

EDITOR

BEN S. BERNANKE

CO-EDITORS

B. DOUGLAS BERNHEIM

TIMOTHY J. BESLEY

DAVID CARD

VALERIE A. RAMEY

MANAGING EDITOR

LYNN FLEISHER

THE AMERICAN ECONOMIC ASSOCIATION

Executive Office: Nashville, Tennessee

Editorial Office: 209 Nassau Street, Princeton, NJ 08542-4601

Copyright 2002

All Rights Reserved

AMERICAN ECONOMIC ASSOCIATION

CONTENTS OF ARTICLES AND SHORTER PAPERS

S. Rosen: Markets and Diversity	1	M. J. Keen and C. Kotsogiannis: Does Federalism	
B. L. Goff, R. E. McCormick, and R. D. Tollison: Racial Integration as an Innovation: Empirical Evidence from Sports Leagues	16	Lead to Excessively High Taxes? G. E. Auten, H. Sieg, and C. T. Clotfelter: Charitable Giving, Income, and Taxes: An Analysis	363
D. Black, K. Daniel, and S. Sanders: The Impact of Economic Conditions on Participation in Dis-		of Panel Data	371
ability Programs: Evidence from the Coal Boom and Bust	27	Missing Trade?	383
P. Gertler and J. Gruber: Insuring Consumption Against Illness	51	Other Mysteries: Comment	394
B. Knight: Endogenous Federal Grants and Crowd-	Si	D. Trefler: The Case of the Missing Trade and Other Mysteries: Reply	405
out of State Government Spending: Theory and Evidence from the Federal Highway Aid Pro- gram	71	G. A. Akerlof: Behavioral Macroeconomics and Macroeconomic Behavior	411
W. Antweiler and D. Trefler: Increasing Returns		M. Spence: Signaling in Retrospect and the Informa- tional Structure of Markets	434
and All That: A View from Trade	93	J. E. Stiglitz: Information and the Change in the Paradigm in Economics	460
Technology Diffusion	120	CT. Hsieh: What Explains the Industrial Revolu-	
L. G. Branstetter and M. Sakakibara: When Do Research Consortia Work Well and Why? Ev-		tion in East Asia? Evidence From the Factor Markets	502
idence from Japanese Panel Data	143 160	S. Kumar and R. R. Russell: Technological Change, Technological Catch-up, and Capital	
M. L. Veracierto: Plant-Level Irreversible Investment and Equilibrium Business Cycles	181	Deepening: Relative Contributions to Growth and Convergence	527
L. Hendricks: How Important Is Human Capital for Development? Evidence from Immigrant Earn-		V. Lei and C. N. Noussair: An Experimental Test of an Optimal Growth Model	549
ings	198	A. Alesina, S. Ardagna, R. Perotti, and F. Schianta- relli: Fiscal Policy, Profits, and Investment	571
World of Ideas	220	T. J. Kniesner and J. P. Ziliak: Tax Reform and Automatic Stabilization	590
B. Biais and E. Perotti: Machiavellian Privatization	240	R. Hartley and L. Farrell: Can Expected Utility	270
M. J. McCabe: Journal Pricing and Mergers: A Portfolio Approach	259	Theory Explain Gambling?	613
D. W. Harless and G. E. Hoffer: Do Women Pay More for New Vehicles? Evidence from Trans-	270	J. K. Goeree and T. Offerman: Efficiency in Auctions with Private and Common Values: An Experimental Study	625
action Price Data	4/0	J. Hörner: Reputation and Competition	644
Rating Induce an Adverse Selection Death Spi- ral? Evidence from New York, Pennsylvania,	280	M. W. Klein, J. Peek, and E. S. Rosengren: Trou- bled Banks, Impaired Foreign Direct Invest- ment: The Role of Relative Access to Credit.	664
and Connecticut	200	P. Oyer and S. Schaefer: Litigation Costs and Re-	OU-X
Age Longevity and the Market for Long-Term	295	turns to Experience	683
Care	293	S. Fay, E. Hurst, and M. J. White: The Household Bankruptcy Decision	706
and Maternal Labor Supply	307	F. Bourguignon and C. Morrisson: Inequality Among World Citizens: 1820–1992	727
creasing Women's Schooling Raise the Schooling of the Next Generation?	323	T. J. Moskowitz and A. Vissing-Jørgensen: The Returns to Entrepreneurial Investment: A Pri-	
L. Chadwick and G. Solon: Intergenerational Income Mobility Among Daughters	335	vate Equity Premium Puzzle?	745
M. Flavin and T. Yamashita: Owner-Occupied	55/6	Competition	779
Housing and the Composition of the Household Portfolio	345	P. Battigalli and G. Maggi: Rigidity, Discretion, and the Costs of Writing Contracts	798

D. Mookherjee and D. Ray: Contractual Structure and Wealth Accumulation	818	H. Sigman: International Spillovers and Water Quality in Rivers: Do Countries Free Ride?	1152
D. S. Nagin, J. B. Rebitzer, S. Sanders, and L. J. Taylor: Monitoring, Motivation, and Manage- ment: The Determinants of Opportunistic Be-	950	R. J. Gitter and P. B. Reagan: Reservation Wages: An Analysis of the Effects of Reservations on Employment of American Indian Men	1160
havior in a Field Experiment	850 874	B. Cassiman and R. Veugelers: R&D Cooperation and Spillovers: Some Empirical Evidence from Belgium	1169
W. Chang and L. A. Winters: How Regional Blocs Affect Excluded Countries: The Price Effects of MERCOSUR	889	S. Aura, P. Diamond, and J. Geanakoplos: Savings and Portfolio Choice in a Two-Period Two- Asset Model	
J. C. Ham and K. T. Reilly: Testing Intertemporal Substitution, Implicit Contracts, and Hours Re- striction Models of the Labor Market Using		M. Gradstein and M. Justman: Education, Social Cohesion, and Economic Growth	
Micro Data	905	G. D. Hansen and E. C. Prescott: Malthus to Solow	1205
Inflation?	928	T. L. Cherry, P. Frykblom, and J. F. Shogren: Hardnose the Dictator	1218
Mandatory Retirement Affect Faculty Retirement? K. A. Konrad, H. Künemund, K. E. Lommerud, and	957	J. E. Galdón-Sánchez and J. A. Schmitz, Jr.: Competitive Pressure and Labor Productivity: World Iron-Ore Markets in the 1980's	1222
J. R. Robledo: Geography of the Family	981	J. McCrary: Using Electoral Cycles in Police Hiring to Estimate the Effect of Police on Crime: Com-	
E. Garces, D. Thomas, and J. Currie: Longer-Term Effects of Head Start	999	ment	1236
A. Estrella and J. C. Fuhrer: Dynamic Inconsistencies: Counterfactual Implications of a Class of Rational-Expectations Models	1013	to Estimate the Effect of Police on Crime: Reply	1244
F. Bloch and V. Rao: Terror as a Bargaining Instrument: A Case Study of Dowry Violence in	1020	J. M. Pinegar: Losing Sleep at the Market: Comment	1251
Rural India B. A. Blonigen and S. E. Haynes: Antidumping Investigations and the Pass-Through of Anti- dumping Duties and Exchange Rates	1029	M. J. Kamstra, L. A. Kramer, and M. D. Levi: Losing Sleep at the Market: The Daylight Sav- ing Anomaly: Reply	1257
D. Houser and R. Kurzban: Revisiting Kindness and Confusion in Public Goods Experiments .	1062	M. Fey and J. Kim: The Swing Voter's Curse:	1264
J. Duggan and J. Roberts: Implementing the Effi- cient Allocation of Pollution	1070	D. R. Davis and D. E. Weinstein: Bones, Bombs, and Break Points: The Geography of Economic Activity	1269
R. Geddes and D. Lueck: The Gains From Self- Ownership and the Expansion of Women's		J. Eeckhout and B. Jovanovic: Knowledge Spillovers and Inequality	1290
Rights	1079	A. Case, D. Lubotsky, and C. Paxson: Economic Status and Health in Childhood: The Origins of the Gradient	1308
tions on the Internet	1093	S. Johnson, J. McMillan, and C. Woodruff: Property Rights and Finance	1335
S. Grant and J. Quiggin: The Risk Premium for Equity: Implications for the Proposed Diversi- fication of the Social Security Fund	1104	J. K. Brueckner: Airport Congestion When Carriers Have Market Power	1357
A. J. Auerbach and K. A. Hassett: A New Measure of Horizontal Equity	1116	S. Borenstein, J. B. Bushnell, and F. A. Wolak: Measuring Market Inefficiencies in California's Restructured Wholesale Electricity Market	1376
A. Alesina and B. Weder: Do Corrupt Governments Receive Less Foreign Aid?	1126	C. H. Shiue: Transport Costs and the Geography of Arbitrage in Eighteenth-Century China	1406
PA. Chiappori, S. Levitt, and T. Groseclose: Testing Mixed-Strategy Equilibria When Players Are Heterogeneous: The Case of Penalty Kicks in Soccer	1138	H. G. Jacoby, G. Li, and S. Rozelle: Hazards of Expropriation: Tenure Insecurity and Investment in Rural China	

Mechanism for Conflict Resolution	1448	Estimating Individual Discount Rates in Denmark: A Field Experiment	1606
	1472	S. Bouman and B. Jacobsen: The Halloween Indi- cator, "Sell in May and Go Away": Another	
ing-by-Doing as a Propagation Mechanism	1498	Puzzle	1618
S. Morris and H. S. Shin: Social Value of Public Information	1521	J. A. List: Preference Reversals of a Different Kind: The "More Is Less" Phenomenon	1636
J. Angrist, E. Bettinger, E. Bloom, E. King, and M. Kremer: Vouchers for Private Schooling in		C. A. Holt and S. K. Laury: Risk Aversion and Incentive Effects	1644
Colombia: Evidence from a Randomized Natural Experiment	1535	J. Mei and M. Moses: Art as an Investment and the Underperformance of Masterpieces	1656
K. J. Stiroh: Information Technology and the U.S. Productivity Revival: What Do the Industry Data Say?	1559	Y. Chen and T. Sönmez: Improving Efficiency of On-Campus Housing: An Experimental Study	1669
D. Pérez-Castrillo and D. Wettstein: Choosing Wisely: A Multibidding Approach	1577	A. Bosch-Domènech, J. G. Montalvo, R. Nagel, and A. Satorra: One, Two, (Three), Infinity	
M. Kunce, S. Gerking, and W. Morgan: Effects of Environmental and Land Use Regulation in the		ty, : Newspaper and Lab Beauty-Contest Experiments	1687
Oil and Gas Industry Using the Wyoming Checkerboard as an Experimental Design		T. Eicher and T. Osang: Protection for Sale: An Empirical Investigation: Comment	
M. Duggan and S. D. Levitt: Winning Isn't Everything: Corruption in Sumo Wrestling		S. Ishiguro: Optimal Incentives for Teams: Comment	

CONTENTS OF THE PAPERS AND PROCEEDINGS (May Issue)

Richard T. Ely Lecture		B. Dupor: The Natural Rate of Q	96
E. C. Prescott: Prosperity and Depression	1	M. Obstfeld: Inflation-Targeting, Exchange-Rate Pass-Through, and Volatility	102
Great Depressions and Recoveries		,	
R. Bergoeing, P. J. Kehoe, T. J. Kehoe, and R.		Monetary-Policy Rules in Practice	
Soto: Policy-Driven Productivity in Chile and Mexico in the 1980's and 1990's	16	L. Ball and R. R. Tchaidze: The Fed and the New Economy	108
V. V. Chari, P. J. Kehoe, and E. R. McGrattan: Accounting for the Great Depression	22	A. Orphanides: Monetary-Policy Rules and the Great Inflation	115
H. L. Cole and L. E. Ohanian: The U.S. and U.K. Great Depressions Through the Lens of Neo- classical Growth Theory	28	C. D. Romer and D. H. Romer: A Rehabilitation of Monetary Policy in the 1950's	121
Liquidity Shortages and Financial Crises		Macroeconomics of Incomplete Markets	
R. J. Caballero and A. Krishnamurthy: A Dual	22	B. D. Smith: Monetary Policy, Banking Crises, and the Friedman Rule	128
Liquidity Model for Emerging Markets D. W. Diamond and R. G. Rajan: Bank Bailouts	33	C. Azariadis and L. Lambertini: Excess Asset Returns with Limited Enforcement	135
and Aggregate Liquidity	38	C. Edmond: Self-Insurance, Social Insurance, and the Optimum Quantity of Money	141
national Supply of Liquidity	42		
N. Kiyotaki and J. Moore: Balance-Sheet Contagion	46	Economic Development across Time and Space	
Brown a contract of the contra		F. Caselli and W. J. Coleman II: The U.S. Technology Frontier	148
Frameworks for Monetary Economics		J. Greenwood and A. Seshadri: The U.S. Demo-	
E. J. Green: Payment Arrangements and Inflation	51	graphic Transition	153
N. R. Kocherlakota: Money: What's the Question and Why Should We Care About the Answer?	58	D. Gollin, S. Parente, and R. Rogerson: The Role of Agriculture in Development	160
N. Kiyotaki and J. Moore: Evil Is the Root of All		Feuds over Free Trade	
D. Corbae, T. Temzelides, and R. Wright: Match-	62	D. A. Irwin: Interpreting the Tariff–Growth Correlation of the Late 19th Century	165
ing and Money	67	D. R. Davis and D. E. Weinstein: The Mystery of the Excess Trade (Balances)	170
On Taylor Rules and Monetary Policy		A. Panagariva: Cost of Protection: Where Do We	
J. Benhabib, S. Schmitt-Grohé, and M. Uribe: Chaotic Interest-Rate Rules	72	Stand?	175
C. T. Carlstrom and T. S. Fuerst: Taylor Rules in a Model that Satisfies the Natural-Rate Hypoth-		J. Bhagwati and T. N. Srinivasan: Trade and Poverty in the Poor Countries	180
esis	79	Technological Change	
C. J. Erceg: The Choice of an Inflation Target Range in a Small Open Economy	85	R. Agarwal and M. Gort: Firm and Product Life Cycles and Firm Survival	184
Asset Prices and Monetary Policy		M. Yorukoglu: The Decline of Cities and Inequality	
J. H. Cochrane and M. Piazzesi: The Fed and			191
Interest Rates-a High-Frequency Identifica-	0.0	B. Jovanovic and P. L. Rousseau: The Q-Theory of	100
tion	90	Mergers	198

Intellectual Property: Do We Need It?		I. Ekeland, J. J. Heckman, and L. Nesheim: Iden-	
B. Klein, A. V. Lerner, and K. M. Murphy: The		tifying Hedonic Models	304
Economics of Copyright "Fair Use" in a Networked World	205	D. Epple, R. Romano, and H. Sieg: On the Demo- graphic Composition of Colleges and Universi-	
M. Boldrin and D. Levine: The Case Against Intellectual Property	209	ties in Market Equilibrium	310
P. Romer: When Should We Use Intellectual Property Rights?	213	Homeownership, Asset Accumulation, Black Banks, and Wealth in African-American Communities	
KL. Hui and I. P. L. Png: On the Supply of Creative Work: Evidence from the Movies	217	C. Henderson: Asymmetric Information in Commu- nity Banking and Its Relationship to Credit- Market Discrimination.	315
The Economics of Technology and Innovation			313
J. Lerner: 150 Years of Patent Protection	221	L. Freeman and D. Hamilton: A Dream Deferred or Realized: The Impact of Public Policy on Fos-	
J. Mairesse and P. Mohnen: Accounting for Innovation and Measuring Innovativeness: An Illus-		tering Black Homeownership in New York City Throughout the 1990's	320
trative Framework and an Application B. Datta and H. Dixon: Technological Change, En-	226	J. G. Nembhard: Cooperatives and Wealth Accumulation: Preliminary Analysis	325
try, and Stock-Market Dynamics: An Analysis of Transition in a Monopolistic Industry	231	R. L. Straight: Wealth: Asset-Accumulation Differences by Race—SCF Data, 1995 and 1998	330
C. Freund and D. Weinhold: The Internet and International Trade in Services	236	The Role of Nature vs. Nurture in Determining Economic Outcomes	
Instability, Inequality, and Endogenous Clustering		J. L. Cohen and W. T. Dickens: A Foundation for Behavioral Economics	335
K. Matsuyama: Explaining Diversity: Symmetry- Breaking in Complementarity Games	241	C. Murray: IQ and Income Inequality in a Sample of Sibling Pairs from Advantaged Family Back-	
D. Quah: Spatial Agglomeration Dynamics	247	grounds	339
D. Mookherjee and D. Ray: Is Equality Stable?	253	B. Sacerdote: The Nature and Nurture of Economic Outcomes	344
Bequests, Saving, and Wealth Inequality		T. P. Schultz: Wage Gains Associated with Height	
E. N. Wolff: Inheritances and Wealth Inequality, 1989–1998	260	as a Form of Health Human Capital	349
J. Gokhale and L. J. Kotlikoff: Simulating the		Women, Children, and the Labor Market	
Transmission of Wealth Inequality J. Laitner: Wealth Inequality and Altruistic Be-	265	D. J. Anderson, M. Binder, and K. Krause: The Motherhood Wage Penalty: Which Mothers	
quests	270	Pay It and Why?	354
K. E. Dynan, J. Skinner, and S. P. Zeldes: The Importance of Bequests and Life-Cycle Saving		E. Todd and D. Sullivan: Children and Household Income Packages: A Cross-National Analysis	359
in Capital Accumulation: A New Answer	274	M Bither and M Toyodaya Child Abuse and Abase	337
The Consequences of Lowering the Cost of College		M. Bitler and M. Zavodny: Child Abuse and Abortion Availability	363
S. Dynarski: The Behavioral and Distributional Implications of Aid for College	279	P. Burton, S. Phipps, and L. Curtis: All in the Family: A Simultaneous Model of Parenting Style and Child Conduct	368
H. Ichimura and C. Taber: Semiparametric Reduced-Form Estimation of Tuition Subsidies .	286	Evaluating Welfare Reform	
M. P. Keane: Financial Aid, Borrowing Constraints, and College Attendance: Evidence from Structural Estimates	293	B. D. Meyer: Labor Supply at the Extensive and Intensive Margins: The EITC, Welfare, and Hours Worked	373
Market Implications of Peer and Neighborhood Effects		V. J. Hotz, C. H. Mullin, and J. K. Scholz: Welfare, Employment, and Income: Evidence on the Effects of Benefit Reductions from California.	380
W. A. Brock and S. N. Durlauf: A Multinomial-		J. Grogger: The Behavioral Effects of Welfare Time	200
Choice Model of Neighborhood Effects	298	Limits	385

Social-Security Reform		S. Tadelis: Complexity, Flexibility, and the Make-	422
A. Razin, E. Sadka, and P. Swagel: The Wage Gap and Public Support for Social Security	390	or-Buy Decision	433
T. Boeri, A. Boersch-Supan, and G. Tabellini: Pension Reforms and the Opinions of European		Ordering	438
Citizens	396	Teaching Microeconomic Principles	
R. Brooks: Asset-Market Effects of the Baby Boom and Social-Security Reform	402	B. W. Brown and C. E. Liedholm: Can Web Courses Replace the Classroom in Principles of Microeconomics?	444
D. Krueger and F. Kubler: Intergenerational Risk- Sharing via Social Security when Financial Markets Are Incomplete	407	D. S. Hamermesh: Microeconomic Principles Teaching Tricks	449
Capital-Income Taxation in the "New Economy"		K. E. Case: Reconsidering Crucial Concepts in Micro Principles	454
A. J. Auerbach and R. H. Gordon: Taxation of Financial Services under a VAT	411	R. H. Frank: The Economic Naturalist: Teaching Introductory Students How to Speak Economics	459
K. L. Judd: Capital-Income Taxation with Imperfect Competition	417	Promoting Economic Literacy in the Introduc- tory Economics Course	
J. M. Poterba and J. B. Shoven: Exchange-Traded Funds: A New Investment Option for Taxable Investors	422	W. L. Hansen, M. K. Salemi, and J. J. Siegfried: Use it or Lose It: Teaching Literacy in the Economics Principles Course	463
Contractual Theories of the Firm		Promoting Economic Literacy: Panel Discus-	
S. E. Masten: Modern Evidence on the Firm	428	sion	473

